

BANK INDONESIA REGULATION
NUMBER 8/9/PBI/2006
CONCERNING
AMENDMENT TO BANK INDONESIA REGULATION NUMBER
7/25/PBI/2005 CONCERNING RISK MANAGEMENT CERTIFICATION FOR
MANAGEMENT AND OFFICERS OF COMMERCIAL BANKS

THE GOVERNOR OF BANK INDONESIA,

- Considering :
- a. whereas improving the expertise and competence of the management of banks through the risk management certification needs time, while the bank capacity in managing the risks shall be improved immediately;
 - b. whereas the implementation of the risk management certification of the executive program can facilitate the improvement of knowledge and skills of the management of banks in the field of risk management as a bridge to fulfil the urgent need to improve the competence and expertise of the management of banks in the field of risk management;
 - c. whereas based on the consideration as referred to in letters a and b, we need adjustment with the provision concerning the Risk Management Certification for the Management and Officers of Commercial Banks in a Bank Indonesia Regulation;

In view of :

1. Act Number 7 of 1992 concerning Banking (State Gazette of the Republic of Indonesia Number 31 of 1992, Supplement to State Gazette of the Republic of Indonesia Number 3472) as amended by Act Number 10 of 1998 (State Gazette of the Republic of Indonesia Number 182 of 1998, Supplement to State Gazette of the Republic of Indonesia Number 3790);
2. Act Number 23 of 1999 concerning Bank Indonesia (State Gazette of the Republic of Indonesia Number 66 of 1999, Supplement to State Gazette of the Republic of Indonesia Number 3843) as amended by Act Number 3 of 2004 (State Gazette of the Republic of Indonesia Number 7 of 2004, Supplement to State Gazette of the Republic of Indonesia Number 4357);

HAS DECREED:

To enact :

THE BANK INDONESIA REGULATION CONCERNING
THE AMENDMENT TO BANK INDONESIA REGULATION
NUMBER 7/25/PBI/2005 CONCERNING THE RISK
MANAGEMENT CERTIFICATION FOR THE
MANAGEMENT AND OFFICERS OF COMMERCIAL
BANKS.

Article I

Several provisions in Bank Indonesia Regulation Number 7/25/PBI/2005 concerning the Risk Management Certification for the Management and Officers of Commercial Banks (State Gazette of the Republic of Indonesia Number 72 of 2005, Supplement to State Gazette of the Republic of Indonesia Number 4522) shall be amended as follows:

1. The provisions of Article 1 shall be added with 2 (two) new points, namely points 15A and 15B, so that Article 1 shall read as follows:

Article 1

1. Bank is a Commercial Bank as referred to in Act Number 7 of 1992 concerning Banking as amended by Act Number 10 of 1998, including a branch office of a foreign bank.
2. Board of Commissioners:
 - a. for a Bank legally incorporated as a Limited Liability Company is the Board of Commissioners as referred to in Article 1 number 5 of Act Number 1 of 1995 concerning Limited Liability Companies;
 - b. for a Bank legally incorporated as a Regional Government Enterprise is the board of supervisors as referred to in Article 19 of Act Number 5 of 1962 concerning Regional Government Enterprises;
 - c. for a Bank legally incorporated as a Cooperative is the board of supervisors as referred to in Article 38 of Act Number 25 of 1992 concerning Cooperatives.
3. Board of Directors:
 - a. for a Bank legally incorporated as a Limited Liability Company is the

- board of directors as referred to in Article 1 number 4 of Act Number 1 of 1995 concerning Limited Liability Companies;
- b. for a Bank legally incorporated as a Regional Government Enterprise is the board of directors as referred to in Article 11 of Act Number 5 of 1962 on Regional Government Enterprises;
 - c. for a Bank legally incorporated as Cooperative is the executive board as referred to in Article 29 of Act Number 25 of 1992 concerning Cooperatives;
 - d. for a branch office of a foreign bank is the management of the branch office of the foreign bank.
- 4. Management is the Board of Commissioners and Board of Directors of a Bank.
 - 5. Bank Officers are Bank employees holding positions below the Board of Directors as appropriate to the volume and complexity of business, including Bank employees who exercise influence over the policies and/or operations of the Bank.
 - 6. Bank Risk Managers are the Board of Directors and Bank Officers in charge of the management and/or making decisions on the risks in accordance with their authority in the Core Risk Taking Unit, Supporting Risk Taking Unit, Risk Management Unit, Internal Audit Unit, and Compliance Unit.
 - 7. Core Risk Taking Unit is the main work operating unit that makes and carries out the decisions on the risks, including, among others, but not limited to the activities of crediting, treasury, information system, and

accounting, ...

accounting, including the operating office.

8. Supporting Risk Taking Unit is a supporting operating unit, including, among others, but not limited to the activities pertaining to legal affairs, logistics, and human resources.
9. Risk Management Unit is the Risk Management Unit as defined in the regulatory provisions concerning Application of Risk Management for Commercial Banks.
10. Compliance Unit is the unit conducting activities to ensure the compliance of the Bank with the applicable regulatory provisions.
11. Internal Audit Unit (SKAI) is the unit performing the internal audit function.
12. Risk Management shall is a series of procedures and methodologies used to identify, measure, monitor, and control the risks arising from the business activities of a Bank.
13. Profession Certification Institution is an institution conducting the Risk Management Certification.
14. Risk Management Certification is a process of testing of competence in Bank Risk Management.
15. Risk Management Certificate is the documentary evidence of completion of Risk Management Certification.
- 15A. Risk Management Certification of the Executive Program is the program that provides knowledge and skills in the field of risk management for the Management of Banks.
- 15B. Risk Management Certificate of the Executive Program is the evidence of

participation of the Management of Banks in the Risk Management Certification of the Executive Program.

16. Refresher Program is a continued training program in Risk Management recognized by a Profession Certification Institution in the form of courses, seminars, workshops or others equal thereto.
 17. Education Provider is an organization or institution recognized by a Profession Certification Institution that has the objective of providing training for participants in Risk Management Certification examinations.
2. Article 15 shall be eliminated.
 3. Article 16 shall be eliminated.
 4. Between Article 23 and Article 24, 1 (one) new Article shall be inserted to become Article 23A that shall read as follows:

Article 23A

- (1) The Profession Certification Institution may issue the Risk Management Certificates of the Executive Program.
- (2) The Risk Management Certificates of the Executive Program as referred to in paragraph (1) shall be provided for the Management of Banks who have attended the Risk Management Certification of the Executive Program conducted by the Profession Certification Institution.
- (3) The Management of Banks who have the Risk Management Certificates of the Executive Program as referred to in paragraph (2) shall have the Risk Management Certificates in accordance with the certificate level required and the volume and complexity of the Bank's business as referred to in

Articles 8, 9, 10, 11, and 12 no later than 3 August 2010.

- (4) The obligation to have the Risk Management Certificates for the Management of Banks as referred to in paragraph (3) shall be fulfilled for the certificate level required in accordance with the volume and complexity of the Bank without having to be conducted in phases.
 - (5) The Management of Banks who have the Risk Management Certificates of the Executive Program as referred to in paragraph (2) shall attend the Refresher Program conducted by the Profession Certification Institution 1 (one) time in 2 (two) years.
5. Between Article 24 and Article 25, 3 (three) new articles shall be inserted to become Articles 24A, 24B, and 24C that shall read as follows:

Article 24A

- (1) In the event that the Risk Management Certificates as referred to in Articles 8, 9, 10, 11, and 12 fail to meet the provisions as referred to in Article 14, such Risk Management Certificates of the final level possessed shall be declared as no longer effective.
- (2) The Risk Management Certificate level of the Risk Management Certificate holder as referred to in paragraph (1) recognized shall be one level below the Risk Management Certificate that has been declared ineffective.

Article 24B

The Risk Management Certificate holder as referred to in Article 24A paragraph (1) can only hold the position required as referred to in Articles 8, 9, 10, 11, and

12 in accordance with the Risk Management Certificate level recognized as referred to in Article 24A paragraph (2).

Article 24C

If the holder of the Management Certificate of the Executive Program as referred to in Article 23A paragraph (2) and Article 26 paragraph (1) fails to comply with the provisions as regulated in Article 23A paragraph (5) and Article 26 paragraph (4), the Risk Management Certificate of the Executive Program possessed shall be declared no longer effective.

6. The provisions of Article 26 shall be amended to read as follows:

Article 26

- (1) The Risk Management Certificates of the Executive Program possessed by the Management of Banks and recognized by Bank Indonesia prior to the enactment of this Bank Indonesia Regulation shall be declared to remain effective until 3 August 2010.
- (2) The Risk Management Certificates of the Executive Program as referred to in paragraph (1) shall be recognized as the Risk Management Certificates in accordance with the certificate level required and the volume and complexity of the Bank's business as referred to in Articles 8, 9, 10, 11, and 12.
- (3) The Management of Banks who have the Risk Management Certificates of the Executive Program as referred to in paragraph (1) shall have the Risk Management Certificates in accordance with the Risk Management Certificate level required and the volume and complexity of the Bank's

business as referred to in Articles 8, 9, 10, 11, and 12 no later than 3 August 2010.

- (4) The Management of Banks who have the Risk Management Certificates of the Executive Program as referred to in paragraph (1) shall attend the Refresher Programs conducted by the Profession Certification Institution 1 (one) time in 2 (two) years.
- (5) The time period for implementing the Refresher Programs as referred to in paragraph (4) shall be calculated as of the date on which this Bank Indonesia Regulation comes into effect.

Article II

This Bank Indonesia Regulation shall be effective as of the date on which it is established.

Established in Jakarta

On 29 May 2006

THE GOVERNOR OF BANK INDONESIA,

BURHANUDDIN ABDULLAH

STATE GAZETTE OF THE REPUBLIC OF INDONESIA NUMBER 44/2006

DPNP/DPbS

ELUCIDATION
TO
BANK INDONESIA REGULATION
NUMBER 8/9/PBI/2006
CONCERNING
AMENDMENT TO BANK INDONESIA REGULATION NUMBER
7/25/PBI/2005 CONCERNING RISK MANAGEMENT CERTIFICATION FOR
MANAGEMENT AND OFFICERS OF COMMERCIAL BANKS
GENERAL

Capacity of the national banks to manage risks shall be improved immediately, so that the banking industry can operate more healthily and efficiently. In order to realize the matter, Bank Indonesia has required the management and officers of commercial banks to participate in the risk management certification as a facility to improve their expertise and skills in risk management.

However, it is realized that the risk management certification conducted in phases requires time, and, thus, the need to improve the operating capacity of the commercial banks in the risk management cannot be conducted in a short time. Therefore, improvement of competence and expertise in risk management shall be bridged by implementing the risk management certification of the executive program for commercial banks aimed at providing comprehensive knowledge and skills in risk management.

Implementation of the aforesaid risk management certification of the executive program shall not be intended to replace the risk management certification program regulated in Bank Indonesia Regulation Number 7/25/PBI/2005, dated 3 August 2005, on Risk Management Certification for Management and Officers of Commercial Banks. Therefore, holders of the risk management certificates of the executive program shall converse their certificates into risk management certificates prior to 3 August 2010 and attend the refresher program as required.

ARTICLE BY ARTICLE

Article I

Number 1

Self-explanatory.

Number 2

Self-explanatory.

Number 3

Self-explanatory.

Number 4

Article 23A

Paragraph (1)

Self-explanatory.

Paragraph (2)

The Risk Management of the Executive Program shall be designated for the Management of Banks who have not possessed the Risk Management Certificates in accordance with the level

required ...

required and the volume and complexity of the Bank's business as referred to in Articles 8, 9, 10, 11, and 12.

Paragraph (3)

Self-explanatory.

Paragraph (4)

Self-explanatory.

Paragraph (5)

The time period for the obligation to attend the Refresher Program for the holders of the Risk Management Certificates of the Executive Program shall be calculated as of the date(s) on which the Risk Management Certificates of the Executive Program are issued.

Number 5

Article 24A

Paragraph (1)

Self-explanatory.

Paragraph (2)

The reduced level of the possessed Risk Management Certificates shall not eliminate the obligation of the relevant holders to attend the Refresher Program at the level of the Risk Management Certificates recognized.

Article 24B

Self-explanatory.

Article 24C

Self-explanatory.

Number 6

Article 26

Paragraph (1)

Self-explanatory.

Paragraph (2)

By this recognition, the obligation to attend the Risk Management Certification level as referred to in Article 6 shall be exempted for the Management of Banks who have had the Risk Management Certificates of the Executive Program.

Paragraph (3)

Self-explanatory.

Paragraph (4)

Self-explanatory.

Paragraph (5)

Self-explanatory.